

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

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INFO AMEMBASSY BERLIN

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E.O. 11652: N/A

TAGS: EIND, ETRD, UR, FRG, COMECON

SUBJ: FRG CONTRACT FOR CONSTRUCTION OF KURSK STEEL COMPLEX
IN USSR

1. FRG EMBASSY ECONOMIC OFFICER ADVISED JANUARY 15 THAT FRG FIRMS INVOLVED IN CONTRACT FOR CONSTRUCTION OF PHASE I OF KURSK STEEL COMPLEX (ABOUT 450 KILOMETERS SOUTH OF MOSCOW) HAVE NOW MADE SIGNIFICANT PROGRESS ON DOCUMENTATION FOR THIS PROJECT. INITIAL CONSTRUCTION WORK IS EXPECTED TO BEGIN IN FALL OF THIS YEAR.

2. SALZGITTER, A MAJOR CONTRACTOR ALONG WITH KORF STAHL, KRUPP AND SIEMENS, WILL OPEN A PERMANENT OFFICE IN MOSCOW ON FEBRUARY 4. THE OFFICE WILL BE ALMOST ENTIRELY CONCERNED WITH SALZGITTER PLANNING AND OPERATIONS FOR KURSK. IN ADDITION, A DELEGATION OF SENIOR EXECUTIVES FROM ALL FIRMS INVOLVED IN KURSK CONSTRUCTION IS EXPECTED TO

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ARRIVE IN MOSCOW ON JANUARY 18 FOR FURTHER NEGOTIATIONS

WITH SOVIET OFFICIALS. THE DELEGATION WILL INCLUDE AN FRG DEPUTY MINISTER OF FINANCE WHOSE VISIT TO USSR WILL BE MAINLY FOR TOURISM BUT WILL ALSO INVOLVE HIM IN SOME NEGOTIATIONS IN MOSCOW.

3. COMMENT - IN RECENT DISCUSSIONS OF KURSK PROJECT FRG EMBASSY SOURCES HAVE INDICATED THAT FRG FIRMS ARE MAKING PRELIMINARY APPROACHES FOR BIDS ON CONTRACT FOR PHASE II OF KURSK. THEY HAVE ALSO TOLD US THAT THE SOVIETS HAVE MADE IT VERY CLEAR THAT FAVORABLE CREDIT ARRANGEMENTS WILL BE AN ESSENTIAL FACTOR IN BIDDING ON PHASE II. THIS IN IN CONTRAST TO SOVIET UNION'S CASH PAYMENT OF DM 2.5 BILLION FOR PHASE I, A SPECTACULAR DEAL CONCLUDED IN MARCH 1974 AFTER PROLONGED NEGOTIATIONS WHICH CULMINATED IN AGREEMENT WORKED OUT PERSONALLY BETWEEN BREZHNEV AND CHANCELLOR WILLY BRANDT, ASSISTED BY MINISTER WITHOUT PORTFOLIO EGON BAHR. THE CASH AWARD CAME AT A TIME WHEN THE USSR WAS ENJOYING A RECORD HARD CURRENCY BALANCE OF PAYMENTS SURPLUS AS A RESULT OF THE ENERGY CRISIS AND A FAVORABLE GRAIN HARVEST. MATLOCK

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